

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 3, 2022/2023

### DEC5024 MACROECONOMICS (All Sections/Groups)

7 OCTOBER 2023  
9.00 AM – 11.00 AM  
(2 hours)

---

#### INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 2 sections.
2. Attempt **ALL** questions in Section A and Section B.
3. Please write all your answers for Section A on the OMR form provided and all answers for Section B in the Answer Booklet provided.

**SECTION A: MULTIPLE CHOICE QUESTIONS (20 Marks)**

1. To increase the quantity of money in the economy, the Central Bank is likely to
  - A. print more money and give it to the banks.
  - B. lower tax rates
  - C. sell government securities in an open market operation.
  - D. buy government securities in an open market operation.
2. Which of the following is an example of money functioning as a unit of account?
  - A. CEMB Bank charges 7 percent on their auto loan.
  - B. Pepsi charging RM2.50 for one can of their Pepsi Zero.
  - C. Lazadaa using PayPal as a method of payment.
  - D. Sheila writes a check for her supplier.
3. In a barter system, we would see:
  - A. many different units of money.
  - B. money and goods exchanged for each other.
  - C. wide-spread depository institutions.
  - D. goods traded directly for other goods and services.
4. Which of the following counts as part of money?
  - A. RM10,000 of shares held in ABC Berhad
  - B. RM10,000 of government bonds
  - C. RM10,000 in a checking account
  - D. RM10,000 of corporate bonds
5. The government's monetary policy goals of maximum employment means:
  - A. a zero percent frictional unemployment.
  - B. a zero percent natural unemployment rate.
  - C. keeping the unemployment rate close to the natural unemployment rate.
  - D. cyclical unemployment should not necessarily be minimized.
6. Financial innovation is:
  - A. the process of turning assets into a more liquid form.
  - B. the development of new financial products and services.
  - C. responsible for credit cards being included as part of money.
  - D. causing a decrease in bank profits.
7. All the following statements about the Central Bank are true **EXCEPT** it
  - A. is a public authority
  - B. regulates nations depository institutions
  - C. accepts checking deposits from the nation's residents
  - D. controls the quantity of money

**Continued...**

8. An aggregate supply curve depicts the relationship between:
- A. the price level and nominal GDP.
  - B. household expenditures and household income.
  - C. the price level and the aggregate quantity supplied.
  - D. the price level and the aggregate quantity demanded.
9. The long-run aggregate supply curve is vertical because:
- A. at full employment prices are stable.
  - B. there is no cyclical inflation.
  - C. potential GDP is independent of the price level.
  - D. the money wage rate increases faster than the price level.
10. The short-run aggregate supply curve is upward sloping because in the short run:
- A. money wage rate changes but the price level does not.
  - B. price level changes but the money wage rate does not.
  - C. both the money wage rate and the price level change.
  - D. neither the money wage rate nor the price level can change.
11. Along a short-run aggregate supply curve, a decrease in the price level means that:
- A. more output is produced as consumer demand increases.
  - B. less output is produced as firms decrease production.
  - C. more output is produced as firms increase production because wages fall more than the price level falls, making it profitable to hire more workers.
  - D. output does not change because firms do not change the quantity they produce.
12. People expect their incomes will decrease next year. As a result, the \_\_\_\_\_ will shift \_\_\_\_\_.
- A. short-run aggregate supply curve; rightward
  - B. aggregate demand curve; rightward
  - C. aggregate demand curve; leftward
  - D. long-run aggregate supply curve; rightward
13. According to the intertemporal substitution effect, a fall in the price level will:
- A. decrease the real value of wealth, which increases the quantity of real GDP demanded.
  - B. cause the interest rate to fall so that investment increases and the quantity of real GDP demanded increases.
  - C. increase net exports, which causes the quantity of real GDP demanded to increase.
  - D. increase the real value of wealth, which raises the interest rate so that the quantity of real GDP demanded decreases.

---

Continued...

14. According to the wealth effect, if real wealth decreases, then people:
- A. decrease their consumption expenditure.
  - B. increase their consumption expenditure.
  - C. do not respond if their nominal wealth does not change.
  - D. decrease their consumption expenditure only if their nominal wealth also decreases.
15. When SunPrime supermarkets in the United States buys strawberries from Mexico:
- A. it uses dollars to pay Mexican farmers.
  - B. it uses pesos to pay Mexican farmers.
  - C. it may use any currency it chooses.
  - D. the transaction shows up in the U.S. capital account.
16. Americans demand Japanese yen in order to:
- A. buy Japanese products.
  - B. supply American goods in Japanese markets.
  - C. allow the Japanese to buy U.S. products.
  - D. balance the current account.
17. Last month, the exchange rate between U.S. dollars and Mexican pesos was 10 pesos per dollar. Today is it 11 pesos per dollar. Here, the dollar \_\_\_\_\_ against the peso, and the peso \_\_\_\_\_ against the dollar.
- A. appreciated; depreciated
  - B. depreciated; appreciated
  - C. appreciated; appreciated
  - D. depreciated; depreciated
18. When people who are holding the money of some other country want to exchange it for U.S. dollars, they \_\_\_\_\_ U.S. dollars and \_\_\_\_\_ that other country's money.
- A. demand; supply
  - B. supply; supply
  - C. supply; demand
  - D. demand; demand
19. Which of the following contributes to a current account surplus for a country?
- A. having tourists visit the country.
  - B. importing furniture.
  - C. having foreigners buy government securities from the country's government.
  - D. importing financial services.
20. Suppose that the government of Malaysia gives foreign aid to Turkey. This transaction would directly:
- A. increase Malaysia's current account.
  - B. decrease Malaysia's current account.
  - C. increase Malaysia's capital and financial account.
  - D. decrease Malaysia's capital and financial account.

Continued...

**SECTION B: STRUCTURED QUESTIONS [80 Marks]****QUESTION 1**

(a) Based on data below, compute the CPI (Consumer Price Index).

| Items    | Quantity of a fixed basket | Price |      |
|----------|----------------------------|-------|------|
|          |                            | 2022  | 2023 |
| Flour    | 100 kg                     | 2.50  | 3.00 |
| Sugar    | 200 packets                | 3.50  | 4.20 |
| Biscuits | 150 packets                | 2.70  | 3.50 |
| Sardines | 180 cans                   | 4.40  | 4.00 |

Table 1

(12 marks)

(b) Provide any **THREE (3)** items that are being excluded under GDP (Gross Domestic Product) measurement. (3 marks)

(c) Using the data in table below, compute the gross domestic product (GDP) by using the income approach. (5 marks)

| Item                           | RM    |
|--------------------------------|-------|
| Net interest                   | 239   |
| Compensation of employees      | 1,735 |
| Government expenditure         | 825   |
| Rental income                  | 37    |
| Proprietors income             | 128   |
| Indirect taxes minus subsidies | 259   |
| Corporate profits              | 124   |
| Exports of goods and services  | 249   |
| Imports of goods and services  | 289   |
| Depreciation                   | 333   |

Table 2

(Total: 20 marks)

**Continued...**

**QUESTION 2**

- (a) Differentiate between budget surplus, budget deficit and a balanced budget. (3 marks)
- (b) Given a consumption function of  $C = 100 + 0.80Y_d$ , with Investment amount of RM50 million and Government spending of RM100 million, compute the:
- (i) equilibrium level of income, given the tax amount is RM20 million. (5.5 marks)
  - (ii) amount of saving at equilibrium. (4 marks)
  - (iii) Government spending multiplier (GSM) (2.5 marks)
  - (iv) Tax multiplier (TM), and the effect on the equilibrium income when the government decided to increase the tax by RM 5 million. (5 marks)

(Total: 20 marks)

**QUESTION 3**

- (a) Based on data of below table, answer the following questions:

| Category               | millions |
|------------------------|----------|
| Total population       | 2,600    |
| Working-age population | 2,000    |
| Not in labor force     | 500      |
| Employed               | 1300     |

Table 3

- (i) Calculate the number of people in the labor force. (2.5 marks)
  - (ii) Calculate the unemployment rate. (4.5 marks)
  - (iii) Compute the labor force participation rate. (3 marks)
- (b) List down any **TWO (2)** categories of unemployment and explain each one of it including an example (by using your own words) of each unemployment. (8 marks)
- (c) How does the unemployment rate change in a recession and in an expansion? (2 marks)

(Total: 20 marks)

**Continued...**

**QUESTION 4**

| Period | Quantity of Labour<br><b>L</b> | Quantity of Capital<br><b>K</b> | Total Output<br><b>Y</b> | Labour Productivity<br><b>Y/L</b> | Output per Capital<br><b>Y/K</b> |
|--------|--------------------------------|---------------------------------|--------------------------|-----------------------------------|----------------------------------|
| 1      | 200                            | 200                             |                          |                                   |                                  |
| 2      | 210                            | 220                             |                          |                                   |                                  |
| 3      | 220                            | 240                             |                          |                                   |                                  |
| 4      | 240                            | 250                             |                          |                                   |                                  |
| 5      | 260                            | 270                             |                          |                                   |                                  |
| 6      | 280                            | 300                             |                          |                                   |                                  |

Table 4

- (a) Given the aggregate production function for the above period is  $Y = L^{0.2}(2K^{0.8})$ . Fill in the blanks. (Students are required to copy the table above in the answer booklet). (12 marks)
- (b) Zimbabwe, in 2021, the economy as a whole has 25,000 workers, in which, each of them is working for 1,500 hours per year. Given the average real output per worker-hour for this economy is RM8. Referring to this scenario, answer the following questions.
- Calculate the real GDP for Zimbabwe. (3 marks)
  - Suppose in 2022, the number of workers increased to 26,500. Calculate the new real GDP and the growth rate. (5 marks)

(Total: 20 marks)

**[Total 80 marks]****End of Paper**